

## Message Text

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ACTION EUR-12

INFO OCT-01 EA-10 ISO-00 AID-05 CIAE-00 COME-00 EB-08  
FRB-03 INR-10 NSAE-00 USIA-06 TRSE-00 XMB-02  
OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 PA-01 L-03  
SS-15 NSC-05 /092 W  
-----023311 160155Z /62

R 151205Z FEB 78  
FM AMEMBASSY PRAGUE  
TO SECSTATE WASHDC 4732  
INFO AMEMBASSY BELGRADE  
AMEMBASSY BERLIN  
AMEMBASSY BERN  
AMEMBASSY BONN  
AMEMBASSY BRUSSELS  
AMEMBASSY BUCHAREST  
AMEMBASSY BUDAPEST  
AMEMBASSY COPENHAGEN  
AMEMBASSY LONDON  
AMEMBASSY MOSCOW  
AMEMBASSY OTTAWA  
AMEMBASSY PARIS  
AMEMBASSY ROME  
AMEMBASSY SOFIA  
AMEMBASSY STOCKHOLM  
AMEMBASSY TOKYO  
USMISSION USNATO  
AMEMBASSY VIENNA  
AMEMBASSY WARSAW

C O N F I D E N T I A L PRAGUE 0413

PARIS ALSO FOR OECD; BRUSSELS ALSO FOR USEEC

E.O. 11652: GDS  
TAGS: OECD, EGEN, CZ  
SUBJECT: EAST-WEST ECONOMIC RELATIONS: PROPOSED COMMON WESTERN  
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ASSESSMENT OF EASTERN ECONOMIC PROSPECTS

REFS: (A) STATE 034566 (NOTAL), (B) PARIS 3496 (NOTAL)  
(C) PRAGUE 0292 (NOTAL)

1. EMBASSY STRONGLY ENDORSES REF B PROPOSAL FOR AN OVERALL  
COMMON WESTERN ASSESSMENT OF PROBABLE IMPLICATIONS OF THE

DETERIORATING ECONOMIC PROSPECTS WHICH WE PERCEIVE IN SOVIET UNION AND EASTERN EUROPE. WHILE NEED CONTINUES TO LOOK AT VARIOUS ASPECTS OF THIS TREND INDIVIDUALLY WE ALSO SEE A REAL NEED TO ANALYZE ALL SIGNIFICANT ASPECTS OF THE EAST'S GROWING ECONOMIC PROBLEMS WITH A VIEW OF IDENTIFYING THE LIKELY IMPACT OF THEM ON THE WEST.

2. SITUATION IN CZECHOSLOVAKIA IS BOTH TYPICAL AND SOMEWHAT ATYPICAL OF ECONOMIC DEVELOPMENTS IN REGION AS A WHOLE. ALTHOUGH NATIONAL INCOME AND INDUSTRIAL OUTPUT INDICES ROSE SOMEWHAT FASTER IN 1977 THAN IN 1976 (REF C), ECONOMIC GROWTH HERE CLEARLY HAS SLOWED DOWN IN RECENT YEARS, AND THERE IS LITTLE POSSIBILITY THAT KEY MACROECONOMIC FIVE YEAR PLAN GOALS SET FOR 1980 WILL BE MET. GOC'S UNUSUALLY LOW LEVEL OF WESTERN INDEBTEDNESS, THE SPECIAL POLITICAL CONSTRAINTS THAT HAVE FORCED ITS LEADERSHIP TO SHUN BOLDNESS AND INNOVATION IN FAVOR OF STAND-PAT ORTHODOXY AND OTHER PECULIAR CHARACTERISTICS DIFFERENTIATE CSSR SOMEWHAT FROM ITS ALLIES. HOWEVER, ITS FUNDAMENTAL ECONOMIC PROBLEMS - ENERGY, LAGGING HARD CURRENCY EXPORTS, CONSUMER DISCONTENT, WORKER APATHY, NEED FOR EXPENSIVE AND DIFFICULT-TO-ABSORB WESTERN TECHNOLOGY, AGRICULTURE, SCARCE MANPOWER, LOW QUALITY OUTPUT - ARE COMMON TO THE ENTIRE REGION

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AND HAVE IMPORTANT IMPLICATIONS FOR THE WEST.

3. WE BELIEVE THAT MOST LIKELY GOC RESPONSE TO THESE PROBLEMS WILL BE (PER PARA 4, REF B) TO OPT BOTH FOR GREATER LEVELS OF INTERACTION WITH NON-COMMUNIST WORLD (NOT JUST OECD MEMBERS) AND TO INTENSIFY ITS RELATIONS WITH OTHER EASTERN ECONOMIES. FORMER IS NECESSARY IF GOC IS TO OBTAIN THE TECHNOLOGY, CAPITAL GOODS AND ADDITIONAL FUELS AND RESOURCES REQUIRED TO MODERNIZE AND FEED ITS INDUSTRIES; LATTER IS ESSENTIAL TO REDUCE HARD CURRENCY IMPORTS WHERE POSSIBLE AND TO ACHIEVE SCALE ECONOMIES AND BENEFITS OF SPECIALIZATION THROUGH CEMA INTEGRATION.

4. WE DO NOT UNDERESTIMATE POLITICAL PROBLEMS WHICH A COMMON ASSESSMENT COULD POSE FOR OTHER OECD MEMBERS, BOTH NEUTRALS AND NATO ALLIES (ESPECIALLY THOSE WHO SEE THEMSELVES AS OUT COMMERCIAL RIVALS IN THE EAST). BUT WE FEEL TIME HAS COME TO ATTEMPT A COMPREHENSIVE OVERVIEW OF HOW EASTERN ECONOMIC PROBLEMS WILL AFFECT THE WEST AND TO TEST THE ASSUMPTIONS WHICH OECD NATIONS ENTERTAIN REGARDING

THESE DEVELOPMENTS.

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## Message Attributes

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**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ECONOMIC CONDITIONS, INTELLIGENCE ASSESSMENTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 15 feb 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
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**Expiration:**  
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**Original Handling Restrictions:** n/a  
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**Review Event:**  
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**Subject:** EAST-WEST ECONOMIC RELATIONS: PROPOSED COMMON WESTERN CONFIDENTIAL CONFIDENTIAL  
**TAGS:** EGEN, CZ, OECD  
**To:** STATE  
**Type:** TE  
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